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## Former Nursing Home Operator Sentenced To Prison For 20 Years For Health Care Fraud & Tax Fraud

FOR IMMEDIATE RELEASE

August 14, 2012

### *Defendant Spent Millions on Real Estate While Nursing Home Residents Went Without Food and Lacked Basic Necessities*

ROME, GA - GEORGE D. HOUSER, 64, of Sandy Springs, Georgia, was sentenced today by United States District Judge Harold L. Murphy to serve 20 years in federal prison on charges of conspiring with his wife to defraud the Medicare and Georgia Medicaid programs by billing them for "worthless services" in the operation of three nursing homes. Medicare and Medicaid paid HOUSER more than \$32.9 million between July 2004 and September 2007 for food, medical care, and other services for nursing home residents. This is the first time that a defendant has been convicted after a trial in federal court for submitting claims for payment for worthless services.

HOUSER was convicted after a bench trial before United States District Judge Harold L. Murphy, who issued an order with findings of fact and conclusions of law on Monday, April 2, 2012. HOUSER had requested the trial before the judge instead of the jury, and Judge Murphy conducted the trial from January 30, 2012, through February 28, 2012. In addition to the health care fraud conspiracy count, HOUSER was also convicted of eight counts of failing to pay over \$800,000 in his nursing home employees' payroll taxes to the IRS, and failing to file personal income tax returns in 2004 and 2005.

"Senior citizens in nursing homes are among our most vulnerable citizens. This defendant stole millions of dollars in Medicare funds to fund his luxurious lifestyle, while the nursing home residents entrusted to his care went without food or medicine. He will now spend the next 20 years in prison," said United States Attorney Sally Quillian Yates.

"Criminals don't need to be lip readers to get this message. Provide horrendous care, while at the same time wallowing in luxury, and you will be punished - severely," said Derrick L. Jackson, Special Agent in Charge of the U.S. Department of Health and Human Services, Office of Inspector General for the Atlanta region. "Working with other law enforcement agencies, we will continue to aggressively investigate and prosecute these taxpayer-funded, worthless services cases."

"Business owners have an inescapable obligation to withhold employment taxes from their employees and remit those taxes to the Internal Revenue Service," stated Donald B. Yaden, Special Agent in Charge with IRS Criminal Investigation. "Those who fail to do so, in order to reap personal benefit at the expense of their employees, will be prosecuted to the fullest extent of the law."

HOUSER was sentenced to 20 years in prison, to be followed by 3 years of supervised release. HOUSER was also ordered to pay \$6,742,807.88 in restitution to Medicaid and Medicare, and \$872,515 in restitution to the Internal Revenue Service.

According to United States Attorney Yates, the charges and other information presented in court: HOUSER, assisted by his wife Rhonda Washington Houser, 49, also of Sandy Springs, operated two nursing homes in Rome, Georgia between July 2004 and July 2007, known as Mount Berry and Moran Lake. Each home had approximately 100 residents. They also operated a nursing home known as Wildwood in Brunswick, Georgia from September 2004 until September 2007, and it had the capacity for 204 residents. Between July 2004 and September 2007, HOUSER billed Medicare and Medicaid approximately \$41 million, and was paid \$32.9 million - based on his certifications and promises that he was providing the residents with a safe, clean physical environment, nutritional meals, medical care, and services that would promote or enhance the residents' quality of life.

In contrast to the pretenses under which HOUSER accepted Medicare and Medicaid payments, the Court concluded that the evidence presented at trial showed "a long-term pattern and practice of conditions at Defendant's nursing homes that were so poor, including food shortages bordering on starvation, leaking roofs, virtually no nursing or housekeeping supplies, poor sanitary conditions, major staff shortages, and safety concerns, that, in essence, any services that Defendant actually provided were of no value to the

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residents.” The Court further found that “Defendant was well aware that ongoing jeopardy conditions existed at the nursing homes during this time. Rather than make a good faith effort to remedy the glaring issues impacting the residents’ health and welfare, the evidence shows that Defendant chose instead to divert significant nursing home funds for his real estate development ventures and for other personal expenses, and that Defendant intentionally attempted to cover up and conceal from the surveyors the nursing homes’ issues and his diversion of funds.”

During the trial, the government introduced evidence that instead of providing sufficient care for the nursing home residents, HOUSER diverted slightly more than \$8 million of Medicare and Medicaid funds to his personal use. HOUSER spent more than \$4.2 million on real estate for a hotel complex that he planned to build in Rome, and he also had plans to develop hotels in Atlanta and Brunswick. HOUSER also bought his ex-wife a house in Atlanta for \$1.4 million, and instead of paying her alimony, he paid her a salary as a nursing home employee, though she never worked at any of the homes. HOUSER also used the nursing homes’ corporate bank accounts for personal expenses, such as Mercedes-Benz automobiles, furniture, and vacations.

The trial evidence showed several examples of the deficiencies at HOUSER’S nursing homes, including:

**Inadequate staffing:** HOUSER failed to maintain a nursing staff that was sufficient to take proper care of the residents. Staffing shortages started plaguing the homes after HOUSER started writing bad paychecks to his employees, which resulted in numerous staff resignations. HOUSER also withheld health insurance premiums from his employees, but sometimes let the insurance lapse for non-payment, leaving many employees with large unpaid medical bills for surgery and treatment. The payroll and insurance problems, and unpaid garnishments, prompted many employees to seek work elsewhere and discouraged new applicants.

**Inadequate Physical Environments:** The roofs in two of the homes were so leaky that employees used 55-gallon barrels and plastic sheeting to catch and divert the rainwater. The leaks worsened over time, but HOUSER never replaced the roofs, nor did he repair or replace broken air conditioning and heating units. Fiberglass ceiling tiles would become saturated with water until they fell out of the ceiling, occasionally on residents’ beds. The residents kept their windows open to vent the foul odors in the homes, but flies, other insects, and rodents easily entered the homes through ill-fitting screens and doors. The insect problems were aggravated by mounds of rotting garbage, which piled up around the dumpsters near the homes because HOUSER failed to pay the trash collection services. The moisture and inability to control the humidity in the homes gave rise to rampant mold and mildew growth.

**Failure to pay vendors:** The Medicare and Medicaid programs require nursing homes to provide sufficient dietary, pharmaceutical, and environmental service to care for their residents’ needs. HOUSER failed to provide these services, in part by failing to pay food suppliers and vendors of pharmacy and clinical laboratory services, medical waste disposal, trash disposal, and nursing supplies, and in part by failing to repair washing machines and dryers, water heaters, air conditioners, and leaking roofs. The nursing homes suffered continual food shortages, and employees spent their own money to buy milk, bread, and other groceries, so that residents would not starve, but the employees were rarely reimbursed by HOUSER. Employees also bought nursing supplies for the residents and cleaning supplies for the homes, and they regularly had to wash the residents’ laundry in laundromats or their own homes. One nursing home resident testified that residents used to pass the time by making bets on which service or utility would be the next to be cut off for nonpayment.

The Georgia Department of Human Resources Office of Regulatory Services (ORS) received many complaints about HOUSER’S nursing homes from families, staff, and vendors. After giving the nursing homes many opportunities to correct deficiencies, the ORS closed the two nursing homes in Rome in June 2007, and it closed the Brunswick home in September 2007. One state surveyor inspected the Moran Lake home in Rome in late May 2007, and she testified that the heat, flies, filth, and stench made for an environment best described as “appalling” and “horrendous.”

In addition to the health care fraud count, HOUSER was convicted of eight counts of deducting \$806,305 in federal payroll taxes from his employees’ paychecks, but not paying that money over to the IRS. HOUSER was also convicted of failing to file personal income tax returns for 2004 and 2005.

HOUSER and his wife were indicted on April 14, 2010. RHONDA WASHINGTON HOUSER pleaded guilty to misprision of the felony of healthcare fraud in December 2011, and her sentencing date has not yet been scheduled.

This case was investigated by Special Agents of the Federal Bureau of Investigation, Health & Human Services, Inspector General, and IRS Criminal Investigation.

Assistant United States Attorneys Glenn D. Baker and William G. Traynor are prosecuting the case.

For further information please contact the U.S. Attorney’s Public Information Office at [USAGAN.PressEmails@usdoj.gov](mailto:USAGAN.PressEmails@usdoj.gov) or (404) 581-6016. The Internet address for the HomePage for the U.S. Attorney’s Office for the Northern District of Georgia is [www.justice.gov/usao/gan](http://www.justice.gov/usao/gan).

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